

E-015/M-89-398 APPROVING REBATES UNDER INDUSTRIAL CONSERVATION PILOT
PROJECT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Patrice Vick	Commissioner

In the Matter of the Implementation of an
Energy Conservation Improvement Program
for Minnesota Power Company

ISSUE DATE: February 22, 1990

DOCKET NO. E-015/M-89-398

ORDER APPROVING REBATES UNDER
INDUSTRIAL CONSERVATION PILOT
PROJECT

PROCEDURAL HISTORY

On July 5, 1989 the Commission authorized Minnesota Power Company (the Company) to include in its 1988-89 Conservation Improvement Program (CIP) a pilot project reimbursing Large Power customers for up to 30% of the cost of specified conservation improvements. In the Matter of the Implementation of an Energy Conservation Improvement Program for Minnesota Power Company, Docket No.

E-015/M-88-257, ORDER APPROVING NEW PROJECT (July 5, 1989). Project funds were to be allocated on the basis of customers' contract demand levels, and all reimbursements were to be approved by the Commission.

On December 11, 1989 the Company filed a proposal for disbursing rebates under the project to the six Large Power customers who had filed rebate applications.¹ Those customers were Lake Superior Paper, National Steel, Eveleth Mines, USS-Minntac, Inland Steel Mining, and Hibbing Taconite. The Company proposed to recontact the three Large Power customers who had not filed applications -- Blandin Paper, Boise Cascade, and Potlatch-Cloquet --to encourage their participation in the project. Meanwhile, the Company would retain the portion of the \$100,000 rebate budget allocated to these customers.

¹ The proposal is treated under the docket number for the Company's 1990 CIP, since the Commission authorized the Company to carry over into its 1990 CIP budget unspent funds authorized for this project in the 1988-89 CIP year. ORDER APPROVING CONSERVATION IMPROVEMENT PROGRAM, REQUIRING ADDITIONAL FILINGS, AND REQUIRING NEW PROJECT FILING (February 5, 1990).

The Department of Public Service (the Department) filed comments recommending approval of the proposed disbursements. The Department also expressed concern that the Company proposed to disburse only \$87,600 of the \$100,000 rebate budget, pending possible rebate applications by non-participating Large Power customers. The Department urged the Commission to consider re-allocating the remainder of the rebate budget among the customers who had filed rebate applications.

FINDINGS AND CONCLUSIONS

The Commission has reviewed the rebate applications and agrees that the projects the Company proposes to fund meet the requirements of the July 5 Order approving the project. All proposed expenditures will be approved.

The Commission shares the Department's concern that all funds authorized for the project be spent on conservation. Clearly, this could be accomplished by re-allocating the remainder of the rebate budget among customers already participating in the project. The Commission agrees with the Company, however, that non-participating Large Power customers should be given at least one more chance to participate.

As the Commission noted in its July 5 Order, there are good reasons to treat the Company's Large Power customers with as much uniformity as possible. Most of them are direct competitors in the taconite or wood products industries, where energy costs are a crucial factor in overall competitiveness. This raises equitable concerns which would not be present in a more diverse Large Power class.

Furthermore, the conservation goals of the CIP program would be best served by broad-based project participation. The purpose of the project, after all, is to sensitize Large Power customers to their conservation potential, eventually making conservation a standard business practice. Encouraging project participation by non-participants is more consistent with this goal than redistributing the rebate budget among those already participating.

The Commission will therefore approve the Company's proposal to defer re-allocating the rebate budget, pending at least one more attempt to encourage participation among non-participating Large Power customers.

ORDER

1. The Company's proposed rebate distribution plan, filed December 11, 1989, is approved.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Lee Larson
Acting Executive Secretary

(S E A L)